

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL MEMORANDUM

HB 518 – SB 650

June 3, 2009

SUMMARY OF AMENDMENTS (005987, 006717): Amendment 005987 deletes the language of the original bill; requires a pool of funds to be created and administered for establishing a surety bond guarantee program for small and emerging contractors designated as small businesses as defined by the Tennessee Minority Owned, Woman Owned and Small Business Procurement and Contracting Act; authorizes these funds to be expended to guarantee bid, payment, and performance bonds on contracts up to \$1,000,000 in value; requires any considered funds be subject to annual appropriations in the general appropriations act. Amendment 006717 makes a technical correction by removing an unnecessary word from the language of the bill as amended by amendment 005987.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$64,200

Other Fiscal Impact – An appropriation of state funds equal to an amount between \$1,000,000 and \$3,000,000 for establishing a fund necessary for the adequate administration of a surety bond program.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Unchanged from the original fiscal note.

Assumptions applied to amendments:


- An appropriation of state funds would be required to adequately administer a surety bond program.
- Given that this bill authorizes surety bonds up to \$1,000,000, an appropriation of at least \$1,000,000 would be required. However, if one contractor requested a \$1,000,000 bond, the program would not be able to issue any other bonds.

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- In order to sufficiently fund such the program, an appropriation of \$3,000,000 should be made for the surety bond program. This would allow for the possibility of one \$1,000,000 surety bond and several other surety bonds of smaller amounts.
- It is unknown which state department or agency would be required to administer this program as proposed. Regardless of this unknown, one additional position is projected to be required to administer the program. The associated increase to recurring state expenditures is estimated to be \$64,200 per year (\$39,700 salary, \$19,500 benefits, \$5,000 other).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc